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SUBJECT: CHINA-PAKISTAN CIVIL NUCLEAR COOPERATION

REF: A. ISLAMABAD 3339

[1](#)B. BEIJING 4031

[1](#)C. BEIJING 4062

[1](#)D. ISLAMABAD 3377

Classified By: SCA A/S Richard Boucher. Reasons 1.4 (b), (d).

[1](#)1. (U) This is an action request. See paras 12-13.

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BACKGROUND  
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[1](#)2. (S/NF) Following the return of Pakistani President Zardari from China, FM Sheh Mahmood Quereshi was quoted in the media announcing new civil nuclear cooperation with China to build two additional nuclear power plants referred to as Chasma III and IV. In an October 18 meeting with SCA A/S Boucher, Zardari confirmed the Chinese commitment to build two additional nuclear power plants at Pakistan,s Chasma site, but added that construction of the new reactors would not commence until construction at Chasma II was complete. Boucher told Zardari the United States would examine the implications of the new nuclear deal and let the Pakistanis know if we anticipated problems (REF A).

[1](#)3. (C) Chinese officials have not publicly announced their intention to provide nuclear reactors to Pakistan beyond what is already &grandfathered under the Nuclear Suppliers Group (NSG) Guidelines. Chinese Afghanistan and Pakistan Division Director Zhang Yiming confirmed that China intends to continue civil nuclear cooperation with Pakistan (REF B). Though he would not discuss details of this cooperation, Vice Foreign Minister He Yafei separately maintained the NSG &grandfather exception for projects at Chasma I and II would also apply to future projects at the site and that USG views to the contrary are wrong (REF C).

[1](#)4. (C) The U.S. position is that the provision of additional reactors to Pakistan would be inconsistent with China,s NSG commitments and would require an exception to the NSG Guidelines. NSG consensus on an exception for Pakistan is highly unlikely given Pakistan,s proliferation record. In addition, as recently as during Congressional briefings concerning the India Civil Nuclear Cooperation Initiative, we have said the United States would not support an exception for Pakistan.

[1](#)5. (SBU) Washington is seeking information from China on the

scope and nature of the new civil nuclear projects under consideration. Key themes will highlight concern over any cooperation with Pakistan that goes beyond what was ongoing at the time of China,s joining the NSG, per China,s 2004 statement (SEPTTEL). We seek to make this a joint approach to the Chinese along with key NSG partners (e.g., Australia, Canada, France, Germany, Japan, Netherlands, Norway, Russia, Sweden, Switzerland, and the United Kingdom).

¶6. (SBU) China,s NSG Commitments: As part of joining the NSG in 2004, China disclosed its ongoing civil nuclear cooperation with Pakistan. Thus, that ongoing cooperation was grandfathered and is limited to construction of Chasma II Nuclear Power Plant for Pakistan; life-time support and fuel supply for the safeguarded Chasma I (construction completed in 1999) and II (construction likely completed by 2011) nuclear power plants; supply of heavy water and operational safety service to the safeguarded Karachi nuclear power plant; and supply of fuel and operational safety service to the two safeguarded research reactors at the Pakistan Institute of Nuclear Science and Technology (PINSTECH).

¶7. (SBU) China,s statement did not make any reference to other nuclear cooperation activities that it had committed to undertake in the future. The ongoing work was grandfathered under the exception in Paragraph 4(c) of INFCIRC/254/Rev.9/Part 1 to the NSG Guidelines provision requiring full-scope safeguards as a condition of nuclear supply of trigger-list items. For countries, like China, that adhere to the NSG Guidelines after April 3, 1992, the exception in Paragraph 4(c) (for agreements or contracts drawn up prior to April 3, 1992) does not apply to agreements (to be) drawn up after their date of adherence.8

¶8. (SBU) Even where the grandfather exception applies (as in the activities mentioned in para 5), nuclear supply must be conducted under International Atomic Energy Agency (IAEA) safeguards to meet China,s obligations under the Treaty on the Non-Proliferation of Nuclear Weapons and the NSG. To date, China and Pakistan have indicated that all bilateral civil nuclear cooperation would be subject to IAEA safeguards.

¶9. (S/REL TO US/FVEY) Intelligence reporting indicates that tentative agreement8 was reached in July 2008 between the Pakistan Atomic Energy Commission and China National Nuclear Corporation officials over plans to build two additional reactors at Chasma AND two new reactors in Karachi. Additional reporting with information from June indicated that funds apparently have not yet been allocated.8

¶10. (SBU) Washington has also taken into account the fact that Pakistani Economic Affairs Division (EAD) Deputy Secretary, Waqar Ali, recently downplayed the agreement to supply two new reactors, saying that the various MOUs reached during President Zardari,s visit (including agreement on providing two nuclear power reactors) were intentionally vague and not legally-binding, and that details were still being negotiated on largely unspecified timeframes. Department notes Post,s belief that the two reactors were part of a plan made several years ago when the Chinese helped construct the Chasma I and II reactors (REF D).

¶11. (SBU) Notwithstanding China and Pakistan,s assertions that additional nuclear power reactors are a part of grandfathered cooperation, Washington notes that Chasma III and IV, or any other possible reactors, were not referred to in China,s written statement to the NSG at the time of China,s NSG adherence. Therefore, expansion beyond the scope of China,s 2004 statement is inconsistent with its NSG commitments and would undermine the integrity of the regime. The NSG Chair (Germany) has expressed concern about additional nuclear cooperation between China and Pakistan beyond what was declared to be grandfathered, as have other NSG partners.

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## ACTION REQUEST

¶12. (SBU) Drawing on the key themes in para 14 below, Department requests Post approach appropriate-level host government interlocutors and report response via cable or email to the points of contact identified in para 15.

¶13. (SBU) In light of our recently concluded civil nuclear cooperation agreement with India, Washington understands that there may be high sensitivity in the Disarmament wing of Islamabad,s Foreign Affairs Ministry to any perceived U.S. &digging8 into Pakistan,s proposed cooperation with China. Washington appreciates Post,s decision on how, when, and with whom to address this issue in Islamabad, but would appreciate a timely response if at all feasible.

## KEY THEMES

¶14. (S//REL PAKISTAN)

-- We appreciated President Zardari informing Assistant Secretary Boucher about future cooperation with China in the civil nuclear field. We wanted to follow up with you on this matter, as promised.

-- We appreciate the sensitivity of discussing your cooperation with China in this field. We feel it is very important that we remain open with one another about how Pakistan,s nuclear cooperation with other countries could impact U.S. policy in international fora, including, perhaps, in the Nuclear Suppliers Group (NSG).

-- Along with other NSG partners, we are having similar conversations in Beijing.

-- We understand that China agreed to provide Pakistan two more reactors, Chasma III and IV, once Chasma II is completed. Was this agreement reached in an MOU? When was this agreement reached?

-- What specific types of cooperation do you envision with China in addition to the construction of Chasma III and IV? Has China agreed to provide nuclear fuel?

-- (If other efforts are being considered) What would be the expected timeline of implementation for these projects?

-- Have contracts been signed for these activities? How will these projects be financed?

-- It is important for us to be clear about our position: from what we understand, we believe your planned cooperation with China, in particular to construct Chasma III and IV reactors )- irrespective of their location within Pakistan -- would go beyond the cooperation that was considered to be &grandfathered8 for China, based on what China told the NSG when it joined the NSG in 2004. As such, consensus approval by the NSG of an exception to the NSG guidelines would be needed in order to permit China, as an NSG member, to engage in such supply.

-- Consensus among the 45-nation NSG for such an exception would be very difficult and the United States does not support such an exception.

-- The United States wants to help Pakistan with its energy needs. You have abundant potential in coal, hydro, gas and alternative energy. We are firmly committed, as are other, to helping Pakistan develop this potential.

## POINTS OF CONTACT

¶15. (U) If Post would like to consult further, over email,

prior to the delivery of this demarche, please feel free to reach out to Krista Fisher, ISN/RA, (202-647-7544, fisherkk@state.sgov.gov); Jason McClellan, SCA/RA, (202-647-1136, mcclellanjc2@state.sgov.gov); or Tom West, P, (202-647-0994, westtw@state.sgov.gov). Department appreciates Post conveying, by email and/or cable, any and all reactions to the same list of contacts. End text.  
RICE

NNNN

End Cable Text